



SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-74021; File No. SR-FINRA-2014-030)

January 9, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Designation of Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove Proposed Rule Change Relating to Quotation Requirements for Unlisted Equity Securities and Deletion of the Rules Related to the OTC Bulletin Board Service

On June 27, 2014, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act “ or “Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to adopt rules relating to quotation requirements for over-the-counter (“OTC”) equity securities and to delete the rules relating to the OTC Bulletin Board Service (“OTCBB”) and thus cease its operation. The proposed rule change was published for comment in the Federal Register on July 15, 2014.³ On August 8, 2014, FINRA consented to extending the time period for the Commission to either approve or disapprove the proposed rule change, or to institute proceedings to determine whether to approve or disapprove the proposed rule change, to October 10, 2014. The Commission received one comment letter on the proposed rule change.⁴

On October 7, 2014, the Commission instituted proceedings⁵ to determine whether to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 72575 (July 9, 2014), 79 FR 41339 (“Notice”).

⁴ See Letter from Daniel Zinn, General Counsel, OTC Markets Group Inc., dated August 5, 2014 (“OTC Markets Letter”).

⁵ See Securities Exchange Act Release No. 73313, 79 FR 61677 (October 14, 2014) (“Order Instituting Proceedings”).

approve or disapprove the proposed rule change under Section 19(b)(2)(B) of the Act.⁶ The Commission thereafter received three comment letters in response to the Order Instituting Proceedings.⁷

Section 19(b)(2) of the Act⁸ provides that, after initiating disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of the filing of the proposed rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for comment in the Federal Register on July 15, 2014. January 11, 2015 is 180 days from that date, and March 12, 2015 is an additional 60 days from that date.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change and the issues raised in the comment letters that have been submitted in connection with the proposal. As the Commission noted in the Order Instituting Proceedings, the proposal raises questions as to whether FINRA's proposed rule change is

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Letter from Dr. Lee Jackson, PAHCII, dated October 8, 2014 ("PAHCII Letter"); Letter from Barry Scadden, Vice President, ATS Trade Support and Operations, Global OTC, dated October 10, 2014 ("Global OTC Letter"); and Letter from Michael R. Trocchio, Sidley Austin LLP, on behalf of OTC Markets Group Inc., dated November 4, 2014 ("Sidley Letter").

⁸ 15 U.S.C. 78s(b)(2).

consistent with the requirements of Sections 15A(b)(6),⁹ 15A(b)(11),¹⁰ and 17B¹¹ of the Act. Specifically, FINRA’s proposal to delete the rules governing the OTCBB, and thus cease operation of the only self-regulatory organization (“SRO”) facility that collects, publishes and distributes quotations in OTC equity securities, raises questions as to whether the proposal is consistent with the requirements of the Act, particularly under circumstances where non-SRO quotation systems are experiencing operational difficulties. In such an event, reliable and accurate quotation information for OTC equity securities may not be widely available to investors through such non-SRO systems. Extending the time within which to approve or disapprove the proposed rule change will enable the Commission to more fully consider these issues and the other issues raised in the comment letters.

⁹ 15 U.S.C. 78o-3(b)(6).

¹⁰ 15 U.S.C. 78o-3(b)(11).

¹¹ 15 U.S.C. 78q-2.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹² designates March 12, 2015, as the date by which the Commission should either approve or disapprove the proposed rule change (File No. SR-FINRA-2014-030).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Brent J. Fields,
Secretary.

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¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(57).